

**HQ USANATO  
Circular 11-2**

**Army Programs**

**Management Control  
Process Program  
(Fiscal Years  
2002 and 2003)**

**Headquarters  
United States Army,  
North Atlantic Treaty Organization  
Unit 21420, Box 5100, APO AE 09705  
1 May 2002**

**UNCLASSIFIED**

## HQ USANATO

Circular 11-2

### Headquarters

United States Army, North Atlantic Treaty Organization  
(HQ USANATO), Unit 21420, Box 5100, APO AE 09705  
1 May 2002

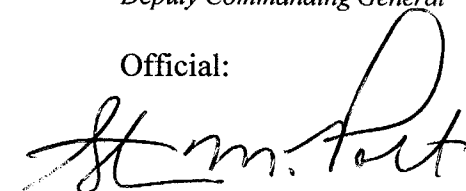
### Army Programs

## Management Control Process Program (Fiscal Years 2002 and 2003)

By Order of the Deputy  
Commanding General:

MICHAEL L. COMBEST  
*Brigadier General, U.S. Army*  
*Deputy Commanding General*

Official:



STEVE M. POET  
*Colonel, GS*  
*Chief of Staff*

**History.** This publication publishes a new HQ USANATO circular.

**Summary.** This circular provides policy for implementation of Management Control Process program throughout the United States Army, North Atlantic Treaty Organization.

**Applicability.** This circular applies to all HQ USANATO Active Army and civilian personnel in four command assessable units.

**Proponent and exception authority.** The proponent of this circular is the Deputy Chief of Staff, G8. The DCS G8 has the authority to approve exceptions to

this circular that are consistent with controlling laws and regulations.

**Suggested Improvements.** Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to Deputy Chief of Staff, G8, ATTN: DCSRM, Unit 21420, Box 5100, APO AE 09705.

**Distribution.** This publication is available in electronic media only and is intended for command levels C, D, and E for the HQ USANATO Active Army and civilian personnel.

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## **1. Purpose and Authority**

The Federal Managers' Financial Integrity Act (Public Law 97-255) establishes specific requirements with regard to management controls (MCs). The proper stewardship of Federal resources is a fundamental responsibility of all Headquarters, U.S. Army, North Atlantic Treaty Organization (HQ USANATO) managers and staff. All federal employees must assure that government resources are used efficiently and effectively to achieve intended program results through Management Control Process (MCP). This circular prescribes responsibilities, policies, and procedures for implementation of the Management Control Process throughout the HQ USANATO command. It applies to all four command reporting activities (assessable units): Supreme Headquarters Allied Powers Europe (SHAPE), Allied Forces Northern Europe (AFNORTH), Allied Forces Southern Europe (AFSOUTH), and Joint Command Southeast (JC SOUTHEAST) who are required to report information on the status of management controls in accordance with the requirements of this circular.

## **2. References**

Required and related publications and prescribed and referenced forms are listed in appendix A.

## **3. Applicability**

This circular applies to all HQ USANATO assessable units and all activities within these units. The units are SHAPE, AFNORTH, AFSOUTH, and JC SOUTHEAST.

## **4. Explanation of Abbreviations and Terms**

Abbreviations and terms used in this circular are explained in the glossary.

### **1. Responsibilities**

a. **The HQ USANATO Deputy Commanding General**, signing "FOR THE COMMANDER", will provide a written Annual Statement of Assurance (ASA) that accurately describes the status of management controls within our command, to include any material weaknesses and plans for corrective actions, and submit this statement to the Office of the Assistant Secretary of the Army (Financial Management & Comptroller).

b. **The HQ USANATO Deputy Chief of Staff, G8 will –**

(1) Serve as the command proponent and provider of overall direction for administering the Management Control Process IAW AR 11-2 within HQ USANATO.

(2) Review each HQ USANATO reporting activity's Annual Statement of Assurance and provide an assessment of its thoroughness and validity.

(3) Report status of material weaknesses within the command to the HQ USANATO Chief of Staff and Deputy Commanding General as required.

(4) Provide technical advice, when requested, to Assessable Unit Managers on management controls within their assessable units.

**c. The HQ USANATO Senior Management Council (SMC), comprised of the senior Brigade staff members and command Management Control Administrator (MCA), will –**

- (1) Provide advice to the HQ USANATO Commander and Chief of Staff on all management control matters.
- (2) Establish the command Five-Year-Plan based on the review of the HQDA checklist inventory. SMC will assess high-risk areas and determine the frequency of evaluations accordingly.
- (3) Review the feeder statements submitted by all HQ USANATO assessable units and assess all areas of concern.
- (4) Identify management control weaknesses that merit reporting in the command Annual Statement of Assurance to the Assistant Secretary of the Army (Financial Management & Comptroller) and monitor progress of corrective actions of all reported weaknesses until corrected.
- (5) Review the command Annual Statement of Assurance for submission to the ASA (FM&C) compiled by the command Management Control Administrator.

**d. The HQ USANATO Commanders will –**

- (1) Be designated as Assessable Unit Managers for each of their respective units.
- (2) Provide the leadership and support needed to ensure that management controls are in place and operating effectively. Methods to accomplish this are illustrating the emphasis for the MCP through memorandums and staff meetings by expressing commitment to the MCP along with expectations of the staff.
- (3) Designate in writing primary and alternate Management Control Administrators and furnish their names, office symbols, phone numbers, e-mail addresses, and fax numbers to HQ USANATO, DCS G8 Office, ATTN: ACRM-MM. The MCAs recommended not to be lower than the grade of 1LT or GS-07.
- (4) Develop and sign his/her own local policy on Management Control Process and submit to the command MCA.
- (5) Ensure that management control responsibilities are explicitly stated in their own performance agreements and included in agreements of MCAs, Deputy Chiefs of Staff, all managers and supervisors in order to permit appropriate evaluation in regard to the effectiveness of their management controls. The explicit responsibilities should also be documented in performance agreements of all individuals who conduct management control evaluations within their activities.

(6) Ensure the Management Control Administrators and all managers with management control responsibilities are trained annually and understand their responsibilities.

(7) Ensure a Management Control Plan is maintained to describe what and how key management controls in the assessable unit will be evaluated.

(8) Certify the results of required management control evaluations on DA Form 11-2-R (Management Control Evaluation Certification Statement) (see Table F-1). Retain copies of completed management control evaluations and copies of DA Form 11-2-R for each evaluation. Submit a copy with feeder statement to HQ USANATO Management Control Administrator, DCSRM.

(9) Submit a written Annual Statement of Assurance to the HQ USANATO MCA certifying accurate status of management controls within their respective assessable units. This will be accomplished based on results of completed management control evaluations, internal/external audits, and inspections. An example of an organization feeder statement is at Table D-1.

(10) Determine whether a weakness in management controls is or is not material and ensure that all management control weaknesses are reported up the chain of command to the Chief of Staff (CoS) through the command MCA either for awareness or action and corrected within a reasonable timeframe. Material Weaknesses (MWs) identified and corrected during a fiscal year should also be reported for command's awareness.

(11) Provide updates of the status of all reported material weaknesses at least twice annually during the mid-year and end-of-year reviews or as actions occur.

(12) Understand and apply the Comptroller General Standards for Internal Control in the Federal Government. Appendix B to this circular describes these standards.

**e. Individuals Conducting Evaluations will –**

(1) Conduct evaluations of key management controls according to this circular.

(2) Prepare a DA Form 11-2-R for each evaluation completed and forward the statement and the evaluation to the unit MCA for AUM's signature.

(3) Identify and report management control weaknesses detected during evaluation reviews and evaluations. Prepare a milestone plan for correcting the weaknesses.

(4) Retain required documentation on each completed evaluation, subject to audit or inspection. Filing will be done IAW AR 11-2 and AR 25-400-2.

**f. The HQ USANATO Management Control Administrators will –**

(1) Serve as the point of contact and a “subject matter expert” on MCP and as such advise the commanders and managers at all levels on the implementation and status of the command’s Management Control Process.

(2) Keep commanders, managers, and MCAs informed on all MCP matters and provide them with specific guidance on completion of their Annual Statements of Assurance.

(3) Identify the training requirements on management controls topics, present and/or arrange that training, and maintain training statistics.

(4) Maintain a Management Control Plan (MCP) for the command and oversee that management control evaluations are conducted in accordance to this plan.

(5) Ensure that required management control evaluations are conducted according to this circular. Evaluations can be completed any time during that fiscal year, but before the submission of the feeder statement.

(6) Oversee the preparation of the unit’s Annual Statement of Assurance that accurately describes the status of key management controls and discloses any material weaknesses along with plans for correction. An example of a feeder statement is provided at Table D-1. Ensure the ASA addresses reported material weaknesses as well as any areas of concern.

(7) Retain all required documentation in support of annual statements and the correction of material weaknesses (AR 11-2, para 1-16).

(8) Report, through the chain of command, any material weaknesses in MCs. Establish and implement timely plans to correct them and track progress in executing those plans until the material weakness is corrected. Format for reporting is provided at Appendix E.

(9) Ensure that regulatory guidance and command policies on management controls are distributed to assessable units.

(10) Develop and maintain the MCP annual milestones for the command.

(11) Serve as the POC for all MCP-related issues in the Command Inspection Program.

(12) Attend annual command MCA training.

g. **The Command Management Control Administrator will –**  
(In addition to responsibilities identified in 5 (1) through (12)

(1) Develop, publish, and maintain a Management Control Plan (MCP) for the command and oversee that management control evaluations are conducted in accordance to this plan.

(6) Oversee the preparation of the command Annual Statement of Assurance. Consolidate input from each assessable unit based on results of completed management control evaluations, internal/external audits, and inspections.

(7) Ensure correct validation process for material weaknesses the command is responsible for:

(a) The last milestone of the correction plan should be a validation that the corrective actions have in fact resolved the weakness. Material weaknesses may not be closed until this milestone has been accomplished.

(b) Validation process should include date of the Command Inspection Program review, management follow-up of findings, or command evaluations.

h. **The HQ USANATO Command Inspection Program (CIP) team members** will review organizational compliance with AR 11-2 during scheduled assistance visits to all assessable units.

## **6. Policies and Procedures.**

a. All commanders and managers have an inherent responsibility to establish and maintain effective controls, assess areas of risk, identify and correct weaknesses in those controls. The chain of command should encourage the prompt and full disclosure of material weaknesses and ensure commanders and managers are not penalized for reporting these weaknesses.

b. Key MCs are those controls that are absolutely essential to ensuring that critical processes operate as intended and that resources are safeguarded from fraud, waste and misappropriation. The cost of MCs must not exceed the benefit derived. At each operating level, the determination of the materiality of a weakness is a management judgment.

c. Individuals listed below will have an explicit statement of responsibility for management controls documented in their military or civilian performance objectives/standards. For military officers, it should be reflected in Part IV, paragraph b, "Indicate Your Major Performance Objectives", of the Officer Evaluation Report Support Form (DA Form 67-9-1). For "Senior System" civilian employees, it should be reflected in Part IV under "Major Performance Objectives/Individual Performance Standards" of the Senior System Civilian Evaluation Report Support Form (DA Form 7222-1). For military enlisted, it should be reflected under "Counseling Record" part of the NCO Counseling Checklist/Record Form (DA Form 2166-8-1). For "Base System" civilian employees, it should be reflected under "Counseling Record/Individual Performance Standards" part of the Base System Civilian Performance Counseling Checklist/Record (DA Form 7223-1).

(1) Commanding General

(2) Deputy Commanding General



- (3) Chief of Staff
- (4) Assessable Unit Managers
- (5) Deputy Chiefs of Staff
- (6) Management Control Administrators
- (7) Individuals conducting MC evaluations
- (8) Managers
- (9) Supervisors of military and/or civilian personnel
- (10) Other individuals with MC responsibilities

d. The AUMs will ensure MC evaluations will be conducted IAW AR 11-2, Management Control. They may choose the method of evaluation. They may also supplement the list and conduct additional evaluations or increase the frequency of the evaluations. Either of the following two methods for evaluating management controls may be used:

(1) Management Control Evaluation Checklists. These checklists are developed at HQDA level and are published as appendices to governing Army Regulations. See HQDA <http://www.asafm.army.mil/fo/fod/mc/amcec/inventory.htm> and/or HQ USANATO <http://www.usanato.army.mil/html/mcp.html> web sites for a complete inventory of published checklists.

(2) Existing management review process. An existing management review process may be used in lieu of a checklist. This process must meet the basic criteria of a management control evaluation, i.e., it must evaluate the effectiveness of the key management control, test the key management control, and document what problems were found and what corrective action were taken. In some cases, HQDA may require or suggest use of such an alternative evaluation. Unless HQDA requires a specific alternative method, HQ USANATO AUMs are free to decide how they will evaluate their management controls. Examples of alternative management review processes include the Command Inspection Program, Command Supply Discipline Program, Physical Security Inspection Program, and other functional review processes.

e. Checklists are as generic as possible. Managers should be sure to read each question in a checklist before determining applicability, and answer only those questions pertaining to the manager's functional areas. Each "Yes" or "No" and "N/A" question should be supported by further explanation. All non-applicable areas should be addressed in a form of a formal memorandum.

f. The most current completed management control evaluation will be retained on file by the assessable unit's MCA IAW AR 11-2 and AR 25-400-2.

g. Material weaknesses will be reported immediately by the AUM to the Chief of Staff through the command MCA, ODCS G8, ATTN: ACRM-MM. Later the updated status of the weakness can be reported as an enclosure to the Annual Statement of Assurance on management controls. If the material weakness is identified during the course of an audit or inspection, the activity responsible for responding to the finding will initiate the material weakness report. Status of corrective action will be updated as needed.

h. The AUMs will submit a feeder Annual Statement of Assurance to the HQ USANATO Management Control Administrator based on results of completed management control evaluations, internal/external audits, and inspections. The command MCA compiles the input from all statements and develops the command annual statement for submission to the Office of the Assistant Secretary of the Army (Financial Management & Comptroller). An example of an organization's feeder statement is provided in Table D-1. Guidance on completion of the Annual Statements of Assurance will be issued by the command MCA approximately in May of each year and is furnished in appendix C.

## **APPENDIX A**

### **References**

#### **Section I**

##### **Required Publications**

This section contains no entries.

#### **Section II**

##### **Related Publications**

A related publication is merely a source of additional information. The user does not have to read it to understand this publication.

##### **AR 11-2**

Management Control

##### **DoD Directive 5010.38**

Management Control Program

##### **DoD Instruction 5010.40**

Management Control Program Procedures

##### **General Accounting Office Standards for Internal Control in the Federal Government**

##### **Federal Managers' Financial Integrity Act**

Public Law 97-255

##### **OMB Circular No. A-123**

Management Accountability and Control

#### **Section III**

##### **Referenced Forms**

##### **DA Form 11-2-R**

Management Control Evaluation Certification Statement

## APPENDIX B

### Comptroller General Standards for Internal Controls in the Federal Government

The Comptroller General of the United States established five standards for internal control/management control in the Federal government. These standards define the minimum level of quality acceptable for management control systems and form the basis against which management controls are to be evaluated. These standards apply to all aspects of our daily operations. Every manager should ensure that they integrate these standards into their daily operations.

- a. **Control Environment.** Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward management control and conscientious management. A positive control environment is the foundation for all other standards. It provides the discipline and structure as well as the climate, which influences the quality of management control.
- b. **Risk Assessment.** Management controls provide a tool to help the organization assess risk from both external and internal sources. A precondition of risk assessment is the establishment of clear and consistent objectives. Risk assessment is the identification and analysis of relevant risks associated with achieving these objectives.
- c. **Control Activities and Techniques.** Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives. They help ensure that actions are taken to address risk. Control activities are an integral part of an organization's planning, implementing, reviewing, and accountability for resource stewardship.
- d. **Information and Communications.** For an organization to run and control its operations, it must have relevant, reliable, and timely information relating to internal and external operations. Information should be recorded and communicated to management and others within the organization who need it and in a form and within a time frame that enables them to carry out their management control and other responsibilities.
- e. **Monitoring.** Management controls should be designed to assess that on-going monitoring occurs in the course of normal operations. It should be performed continually and be ingrained into an organization's operations.

## **APPENDIX C**

### **Guidance for Preparing Annual Statements of Assurance**

#### **C-1. Submission**

The Federal Managers' Financial Integrity Act requires that the Secretary of Defense submit an Annual Statement of Assurance to the President and Congress. This statement is supported by input from the heads of DoD Components with statements from the HQDA Principals and MACOM Commanders supporting the Secretary of the Army's report.

#### **C-2. Procedures**

HQ USANATO assessable units will follow the guidance in this circular when preparing their ASAs. They will also ensure that the ASAs --

- a. Accurately reflect the status and effectiveness of management controls in an organization and support assertions of "reasonable assurance" (AR 11-2, para 2-2).
- b. Identify material weaknesses in management controls where reasonable assurance cannot be provided (appendix E).
- c. Include any areas of concern.

#### **C-3. Cover Memorandum**

- a. Each annual statement should include a cover memorandum signed by the Assessable Unit Manager. The memorandum is the AUM's assessment and personal assertion of the overall status of management controls within reporting organization to "reasonably assure" that they are/are not in place and operating. This statement of assurance must take one of three forms:

(1) **Unqualified Statement of Assurance** - "I have reasonable assurance that...". Each unqualified statement must have a firm basis for that position, and this basis must be clearly described in TAB A.

(2) **Qualified Statement of Assurance** - "I have reasonable assurance that ....., except for.....". The material weaknesses in management controls that preclude an unqualified statement should be cited in the cover memorandum.

(3) **Negative statement** - "I do not have reasonable assurance that ....".

- b. TAB A, describes "How the Assessment Was Conducted" and provides support for that assessment. Inherently a management judgment, reasonable assurance recognizes that there are acceptable levels of risk that cannot be avoided because the cost of absolute control would exceed the benefits derived. The Annual Statement of Assurance should describe how your determination of reasonable assurance was reached. This description may cite processes such as management control evaluations, audit or inspection reports, and other senior management reviews. AUMs should give as many examples as possible of how their assessed units improved the Management Control Process by specifically addressing the following areas:

(1) **Leadership emphasis** (issuing memoranda to subordinate activities to provide special guidance on the importance of effective management controls; establishing of senior management councils; other innovative approaches providing command emphasis to MCP)

(2) **Training** (in-house, the USDA Courses, or courses taught by the HQDA management control staff) and the total numbers of personnel receiving each type of training (also include the total number of personnel trained versus those that should be trained; innovative approaches e.g., bulletin boards, newsletters).

(3) **MCP Execution** (efforts to assess the MCP effectiveness and to improve its execution; embedding management control evaluations into other existing management review processes (e.g., Physical Security Inspection Program, Command Supply Discipline Program).

c. In an effort to provide objective assessments, the Army has qualified its annual statements since FY 1993, as did DoD. A qualified statement is nothing more than an objective recognition that management controls need improvement. Reporting organizations should give serious consideration to submitting qualified statements where appropriate.

d. TAB B, if applicable, is used to report each new, corrected, or uncorrected MW. Appendix E to this circular provides instruction for reporting MWs and the appropriate format.

#### **C-4. Material Weaknesses Determination**

a. Identifying and correcting weaknesses in management controls is the responsibility of management. Whether or not a weakness should be considered material and reported in the annual statement is a management judgment.

b. To be considered material, a weakness must meet TWO ESSENTIAL CRITERIA --

(1) It must involve a weakness in management controls (such as, management controls are not in place, are not being used, or are inadequate)

(2) It must warrant the attention of the next level of command, which must take action or must be aware of the problem.

c. The determination of whether to report a problem as a material weakness should be based solely on whether it is material (i.e., significant enough), not whether it has already been corrected. A serious management control problem that is identified and corrected during a given fiscal year should be reported.

d. It is usually clear whether a problem involves a management control weakness. It is also usually clear whether the next level of command must take corrective action. Whether the next level of command needs to be aware of a management control weakness is a more subjective management judgment. Consideration of the following factors may help in making this management judgment.

- (1) Actual or potential loss of resources
- (2) Sensitivity of resources involved
- (3) Magnitude of funds, property, or other resources involved
- (4) Frequency of actual and/or potential loss
- (5) Current or probable media interest (adverse publicity)
- (6) Current or probable Congressional interest (adverse publicity)
- (7) Unreliable information causing unsound management decisions
- (8) Diminished credibility or reputation of Army management
- (9) Impaired fulfillment of essential mission
- (10) Violation of statutory or regulatory requirements
- (11) Impact on information security
- (12) Deprived the public of needed Government services

e. Each MW reported must list one of the following DoD functional categories

- (1) Research, Development, Test, and Evaluation
- (2) Major Systems Acquisition
- (3) Procurement
- (4) Contract Administration
- (5) Force Readiness
- (6) Manufacturing, Maintenance, and Repair
- (7) Supply Operations
- (8) Property Management
- (9) Communications and/or Intelligence and/or Security

- (10) Information Technology
- (11) Personnel and/or Organization Management
- (12) Comptroller and/or Resource Management
- (13) Support Services
- (14) Security Assistance
- (15) Other (Primarily Transportation)



## **APPENDIX D**

### **Sample Cover Memorandum (excerpts) and sample TAB A, How the Assessment Was Conducted (excerpts) of the Annual Statement of Assurance (FY99 Annual Statement of Assurance is a courtesy copy provided by Forces Command's (FORSCOM) Management Control Administrator)**

Table D-1 shows the required information and format for the cover memorandum of the Annual Statement of Assurance. Note that the "How the Assessment Was Conducted" part of the ASA includes Leadership Emphasis, Training, and Program Execution sections and it addresses areas of concern, not necessarily MWs, within the assessable unit.

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## **COVER MEMORANDUM**

AFCG-IGL (11-2)

21 September 1999

MEMORANDUM THRU Assistant Secretary of the Army (Financial Management), 109 Army Pentagon, Washington, DC 20310-0109

FOR Secretary of the Army, 101 Army Pentagon, Washington, DC 20310-0101

SUBJECT: Fiscal Year 1999 (FY 99) Annual Assurance Statement

1. The management control process within Forces Command (FORSCOM) provides reasonable assurance, except for material weaknesses identified in enclosure 3, that:

- a. Assets are safeguarded against waste, loss, unauthorized use, or misappropriation.
- b. Obligations and costs comply with applicable law.
- c. Revenues and expenditures applicable to FORSCOM operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.
- d. Programs and administrative functions are efficiently and effectively carried out in accordance with applicable law and management policy.

2. This determination is based on a general understanding and adherence to the General Accounting Office Standards for Internal Controls and verified by methods believed necessary to evaluate the adequacy of management controls and decide if they are in place and operating. These methods include application of all scheduled management control evaluations in FORSCOM and consideration of the following:

AFCG-IGL

SUBJECT: Fiscal Year 1999 (FY 99) Annual Assurance Statement

- a. Performance of other management control evaluations warranted by local circumstances.
  - b. Consideration of audits, inspections, and independent review reports.
  - c. Assurances by principals of subordinate organizations.
  - d. Heightened awareness and formal responsibility for the adequacy of management controls by military and civilian managers.
3. TAB A is a synopsis of activities conducted by FORSCOM staff and field organizations in support of the Management Control Process.
4. The application of standardized evaluations and other methods of review throughout FORSCOM have detected four new material weaknesses of sufficient significance to require reporting to Headquarters, Department of the Army (HQDA). These new material weaknesses are: Finance and Accounting Operations in Southwest Asia, U.S. Army Reserve No Shows, Lack of Comprehensive Occupational Medical Surveillance, and Accountability of Beer Brewed—Micro Pubs. A list of all material weaknesses included in this report, the new material weaknesses, and status updates on six open material weaknesses submitted in previous years, and seven corrected material weaknesses are at TABs B-1, B-2, and B-3, respectively.
5. While improvements have been noted, FORSCOM's overall funding levels for unit readiness and training remain at risk when programs are not adequately resourced and/or funded initiatives are passed to the command for execution. Deteriorating installation and training infrastructure, such as ranges, airfields, training lands and facilities, have not kept pace with the modernization and digitization efforts of the Army. Other new initiatives related to the expansion of missions, such as Homeland Defense/Weapons of Mass Destruction, are considered to be high priority, yet remain substantially unfunded.
6. We continue to have problems with the interface between logistical and financial systems. The lack of a logistics/financial reconciliation process in the Standard Army Retail Supply System (SARSS) referral package has aggravated the situation. We have been waiting more than a year for an interim reconciliation process for SARSS referrals; without an automated reconciliation process, we cannot be assured of the validity of inventory records and obligation balances.
7. Forces Command is concerned about the pressure to field the Standard Army Financial Inventory Accounting System-Modernization (STARFIARS-Mod) to those installations using the SARSS supply system. Several critical problems have been identified which affect inventory, cash and obligation authority balances. There is also no functional reconciliation program for SARSS referrals. All critical problems should be resolved prior to fielding.

8. We must ensure we maintain the high level of readiness required to accomplish our mission of deploying rapidly, closing quickly, and destroying the enemy in any theater of operation. Maintaining the three imperatives of readiness, including training, quality of life, and infrastructure, continues to be undermined by funding shortfalls. Forces Command's commitment to reengineering, creative training strategies, and best business practices has never been stronger; however, in this era of significant change, our challenge will be to guard against an increasing vulnerability to material weaknesses.

4 Encls

//s//  
THOMAS A. SCHWARTZ  
General, USA  
Commanding

## **TAB A**

### **HOW THE FORCES COMMAND (FORSCOM) MANAGEMENT CONTROL PROCESS (MCP) ASSESSMENT WAS CONDUCTED IN FY 99**

This assurance statement is based on a combination of actions taken to ensure there is a reasonable level of confidence that management controls throughout the command are in place and operating. Actions taken included:

#### **HQ FORSCOM**

##### **LEADERSHIP EMPHASIS:**

1. Prepared and distributed memorandums signed by FORSCOM commander praising staff and field for their efforts in implementing the MCP within their respective organizations. Memorandums included copy of Letter of Commendation signed by the Honorable Helen T. McCoy, ASA(FM&C).
2. Prepared and distributed FY 99 Annual Assurance Statement instructions to the staff and field. Memorandums were signed by FORSCOM Chief of Staff. Feeder statements are required from field and staff organizations.

##### **TRAINING:**

1. Conducted training sessions for **28** Assessable Unit Managers and MCP points of contact at HQ FORSCOM. Training memorandum was signed by FORSCOM Chief of Staff. Training sessions for AUMs included video training tape, prepared slide presentation, and discussion period. **One** person attended the two-day U.S. Department of Agriculture (USDA) Graduate School course.

2. Provided written guidance and ideas for process improvement to staff and field. This information is regularly distributed to numerous other MACOMs and non-FORSCOM organizations at their request.

## **EXECUTION:**

1. Maintained an electronic mail (e-mail) network for all FORSCOM MCAs, IRAC Offices, and IG Offices.

2. Disseminated previously developed FORSCOM guidance covering management control responsibilities in performance agreements for applicable HQ FORSCOM staff personnel.

3. Disseminated the updated annual Management Control Evaluation Inventory to staff and field organizations as well as other non-FORSCOM organizations via e-mail. Also provided HQDA website address for direct access to inventory and evaluations.

4. Provided technical assistance to all FORSCOM field organizations and primary and special staff agencies via on-site visits, telephone contact, e-mail, and hard copy.

5. Maintained material weakness (MW) tracking database.

6. Hosted Personnel/Resource Management Planning Workshop with civilian personnel and resource management community to discuss new procedures and ongoing issues related to downsizing and related planning and to stress the importance of working together on civilian execution initiatives. FORSCOM installations and activities were provided tools needed to implement installation Civilian Execution Plans (CEPs), Realignment Fact Sheets (RFS), and requests for Voluntary Early Retirement Authority (VERA).

7. Developed Base Realignment and Closure (BRAC) Resource Management System (BRMS), which is an automated funds control and tracking system, to help ensure that only valid requirements receive funding.

8. Led a Process Action Team (PAT) to review the headquarters work force for FY 99 through FY 03. Recommended initiatives included reviewing current intern program and attempting to remedy the projected skill imbalance in the future work force.

9. Produced and distributed an environmental newsletter to installations and major environmental players within and outside of DoD to keep everyone abreast of changes in laws, policies, and regulations. Newsletter serves as forum to share innovative ideas and new procedures on environmental compliance issues.

10. Planned and managed execution of the Facility Reduction Program to ensure demolition of excess facilities in accordance with HQDA policy.

11. Planned and managed execution of the Rail Maintenance Program to ensure sufficient funds are provided to repair track in accordance with AR 420-72.

12. Completed activity based costing (ABC) for the FORSCOM Directorates of Community Activities (DCA). Installations are working toward Activity Based Management (ABM) to determine best practices and achieve goal of reduced total operating costs.
13. Developed TDY funding targets in accordance with Chief of Staff-imposed travel restrictions. Monitored execution against targets and redistributed targets as needed to balance but not exceed overall budget.
14. Coordinated with Office of the Surgeon General regarding Anthrax Vaccination Immunization Program (AVIP) and provided guidance for applicable operations and exercises. This program has direct impact on numerous FORSCOM units and personnel that train or operate in Korea.
15. Assessed adequacy and effectiveness of two on-site Computer Security (COMPUSEC) and Communications Security (COMSEC)/Controlled Cryptographic Items (CCI) reviews of subordinate commands' programs.
16. Conducted one Command COMSEC Inspection to determine procedural adequacy for safeguarding, accounting, and supply control of COMSEC material.
17. Evaluated five Standardized COMSEC Custodian Courses conducted by subordinate commands to ensure compliance with Army standards.
18. Conducted Contracting Management Reviews (CMRs) at four installations--none rated below "Satisfactory."
19. Maintained control of appropriate documentation to support obligations for supplies, payroll, and all other elements of expense for HQ FORSCOM.
20. Maintained coordination with supported CINC staff to determine soldiers' entitlements for operations other than war and peacekeeping missions. Incorporated entitlement guidance to subordinate units in the alert/deployment orders.
21. Maintained control of appropriate documentation to support IMPAC Program obligations for supplies, services, and all other elements of expense. Reviewed all International Merchant Purchase Authorization Card (IMPAC) records of cardholders and verified that letter of designation for each appointed cardholder and approving official was on file.
22. Utilized Program Budget Automated System (PBAS) and FORSCOM Automated Program and Budget System (FAPABS) to ensure fund control. Maintained controls to monitor limitations and other appropriate restrictions.
23. Consistently emphasized need for appropriate controls and continuous monitorship of budget execution in correspondence to activities.

24. Conducted monthly reviews of funds utilization for each installation receiving funds from FORSCOM.
  25. Regularly held Program Evaluation Group (PEG) meetings to ensure all Program Directors clearly understood funding levels and constraints.
  26. The FORSCOM IG Office conducted seven Intelligence Oversight (IO) inspections. Inspections assessed intelligence units' compliance with laws, regulations (AR 381-10) and directives; IO training, program management, reporting procedures, and unit intelligence files; and identified causes of problems and fixes.
  27. Continued practice of evaluating IMPAC Program throughout the headquarters every two years.
- 

**Table D-1. Sample ASA Cover Memorandum & TAB A,  
How the Assessment Was Conducted  
(Excerpts from FORSCOM FY99 ASA)**

## APPENDIX E

### Format and Instructions for Reporting Material Weaknesses

Table E-1 shows the required information and format for each new, corrected, and uncorrected material weakness. MWs will be reported in TAB B of the Annual Statement of Assurance.

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HQ USANATO Identification (ID) # (leave blank)

Local Identification (ID) # \_\_\_\_\_

**Title and Description of Material Weakness:** The title should be short. The description should permit a full understanding of the problem, its cause, and impact by a member of Congress or the general public. (If a material weakness was previously reported as corrected and must be reopened, it should not be reported as a new weakness. The material weakness should retain its earlier title and identification number with a parenthetical notation in the description that it was previously reported as closed in the FY XX Annual Statement of Assurance).

**Functional Category:** Cite one of the broad DoD functional categories shown at appendix C (extracted from DoDI 5010.40).

#### **Pace of Corrective Action:**

**Year Identified:** The FY the weakness was **first** reported in your assurance statement.

**Original Targeted Correction Date:** The FY that correction was targeted for when the weakness was **first** reported.

**Targeted Correction Date in Last Year's Report:** The FY that correction was targeted for in last year's report. If this is a new weakness, enter "N/A".

**Current Target Date:** The FY that correction is now targeted for. If this is a **new** weakness, enter "N/A".

**Reason for Change in Date(s):** If the "Current Target Date" is later than the "Targeted Correction Date in Last Year's Report", explain what caused this change. If these two items are the same date or "N/A", enter "N/A".

**Component/Appropriation/Account Number:** Component is "Army". Identify the appropriation(s) and account number(s) associated with this correction (Ex: Army/Other Procurement, Army/Acct #).

**Validation Process:** Indicate the method to be used to validate the effectiveness of the corrective actions and the date it will take place. Indicate if the HQ USANATO, Internal Review and Audit Compliance Office, USAAA, or the DA Inspector General will be involved in the validation.

**Results Indicators:** Describe the beneficial results that have been or will be achieved for the Army by the corrective actions, using quantitative and/or qualitative measures.

**Source(s) Identifying Weakness:** List all sources, to include: management control evaluations; GAO, DoDIG, USAAA or DA Inspector General findings (if so, cite the title, number and date of the audit/inspection report); local inspector general or internal review findings; or other management evaluations.

**Major Milestones in Corrective Action:** Indicate the major milestones (primary corrective actions) required to correct the weakness. Milestones should be directly related to correction of the weakness and should be stated in the present tense.

(a) Validation of corrective actions is receiving increased attention by GAO and Congress. The Comptroller General expressed concern that many weaknesses are rooted in the failure to comply with existing policy, yet a third of all corrective actions involve policy changes. It is crucial to validate whether a policy change actually corrects a material weakness. **DoD policy now requires that validation occur before material weaknesses are reported as closed and that each material weakness includes a validation milestone as the last corrective action.**

(b) Milestone dates should be established only for March or September (i.e., 3/01 or 9/01). These are based on the "as of" dates for the annual statement (end of September) and mid-year (end of March). Using these semi-annual milestone dates will reduce the need to explain minor slips in milestones.

(c) Milestones may be added or deleted for previously reported material weaknesses, but an audit trail must be provided. When adding a milestone, enter "**(added)**" under the new milestone's date. When deleting a milestone, enter "**(deleted)**" under the date and provide a short explanation of why it was deleted at the end of the milestone description.

A. **Completed Milestones:**

Date:

Milestone:

B. **Planned Milestones:** (Fiscal Year 2002):

Date:

Milestone:

C. **Planned Milestones:** (Beyond Fiscal Year 2002):

Date:

Milestone:

**HQDA/OSD Functional Proponent Participating in Corrective Action:** MACOMs will submit specific information on the HQDA functional proponent whose action they are requesting to help correct the weakness. HQDA staff agencies should identify other HQDA or OSD functional proponents whose actions are requested to help correct the weakness. If a weakness is reported for information then they will indicate "N/A".



**Point of Contact:** The name, office symbol, and telephone number of the individual who is most knowledgeable about and can respond to specific inquiries about each material weakness.

**Management Control Administrator:** Enter the name, office symbol, telephone number, and e-mail address of the reporting unit's MCP administrator.

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**Table E-1. Format and Instructions for Reporting Material Weaknesses**

## APPENDIX F

### Sample Format of DA Form 11-2-R, Management Control Evaluation Certification Statement and Instructions for Completing the Form

Table F-1 shows format of DA Form 11-2-R. For use of this form, see AR 11-2; the proponent agency is ASA (FM&C).

- 
1. REGULATION NUMBER:
  2. DATE OF REGULATION:
  3. ASSESSABLE UNIT:
  4. FUNCTION:
  5. METHOD OF EVALUATION (*Check one*):
    - a. CHECKLIST: \_\_\_\_\_ APPENDIX: (*Enter appropriate letter*) \_\_\_\_\_
    - b. ALTERNATIVE METHOD (*Indicate method*):
  6. EVALUATION CONDUCTED BY:
    - a. NAME (*Last, First, MI*):
    - b. DATE OF EVALUATION:
  7. REMARKS: (*Continue on reverse or use additional sheets of plain paper*)

#### **CERTIFICATION**

I certify that the key management controls in this function have been evaluated in accordance with provisions of AR 11-2, Management Control. I also certify that corrective action has been initiated to resolve any deficiencies detected. These deficiencies and corrective actions (*if any*) are described below or in attached documentation. This certification statement and any supporting documentation will be retained on file subject to audit/inspection until superseded by a subsequent management control evaluation.

- a. ASSESSABLE UNIT MANAGER :
  - (1) Typed Name and Title:
  - (2) Signature
- b. DATE CERTIFIED: \_\_\_\_\_

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DA FORM 11-2-R, JUL 94

EDITION OF JAN 94 IS OBSOLETE

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**Table F-1. DA Form 11-2-R**

Table F-2 provides instruction for completing each DA Form 11-2-R, Management Control Evaluation Certification Statement. Each statement will be signed by the local AUM.

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**BLOCK 1, REGULATION NUMBER:** Enter the regulation that governs the function being evaluated.

**BLOCK 2, DATE OF REGULATION:** Enter the date of the governing regulation.

**BLOCK 3, ASSESSABLE UNIT:** Enter the name of your activity that is headed by the AUM (commander).

**BLOCK 4, FUNCTION:** Enter the function evaluated, as listed in the Five-Year MCP Evaluation Plan.

**BLOCK 5, METHOD OF EVALUATION:**

a. If the evaluation is conducted using a Management Control Evaluation Checklist out of a regulation, check BLOCK 5a and enter the Appendix in the regulation where that checklist is located (e.g., “Appendix D”).

b. If the evaluation is conducted using a local or another type of review process, check BLOCK 5b and describe that process.

**BLOCK 6, EVALUATION CONDUCTED BY:** Enter the name of the individual(s) who actually conducted the evaluation.

**BLOCK 7, REMARKS:** Use this block to briefly describe the methods used to test the key essential controls, the problems found during the evaluation (if any) and the corrective actions taken or planned. If a local or an existing management review process is used, and that process has its own documentation (e.g., a Memorandum for Record, an after-action report, a decision memorandum, or an audit report), attach a copy of that documentation and indicate “see attached” in this block.

**BLOCK 8, CERTIFICATION:** Enter the name and title of the AUM (commander), their signature, and the date of certification.

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**Table F-2. Instructions for Completing DA Form 11-2-R**

## **Glossary**

### **Section I Abbreviations**

#### **AR**

Army Regulation

#### **ASA**

Annual Statement of Assurance

#### **AUM**

Assessable Unit Manager

#### **CoS**

Chief of Staff

#### **HQDA**

Headquarters, Department of the Army

#### **IG**

Inspector General

#### **MW**

Material Weakness

#### **MC(s)**

Management Control(s)

#### **MCA**

Management Control Administrator

#### **MCP**

Management Control Process

#### **SMC**

Senior Management Council

#### **USAAA**

United States Army Audit Agency

# **Glossary**

## **Section II**

### **Terms**

#### **Alternative management control evaluation**

Any existing management review process that meets the basic requirements of a MC evaluation; i.e., it assesses the key MCs, it evaluates these controls by testing them, and it provides the required documentation. These existing management review processes may be unique to a specific functional area (e.g., Command Supply Discipline Program) or they may be generic (e.g., the Command Inspection Program or audits by the Internal Review auditors).

#### **Annual Statement of Assurance**

An annual report that provides a broad assessment of MCs within the command or agency that identifies any material weaknesses in these MCs.

#### **Assessable unit (AU)**

Reporting organizations (MACOMs) are segmented into assessable units and/or individuals designated by the organization's senior responsible officials. The managers (AUMs) of these organizations are responsible for conducting MC evaluations in accordance with the MCP.

#### **Assessable Unit Manager (AUM)**

The military or civilian head of an assessable unit, staff, division or organizational element. The AUMs must be at least a Colonel or GM-15, with the exception of Army garrisons, where an assessable unit may be headed by the senior functional manager. Exceptions must be approved by HQDA. The AUM certifies the results of required management control evaluations.

#### **Comptroller General Standards**

The five standards issued by the Comptroller General to be applied by all managers in the Federal government in developing, establishing, and maintaining MCs.

#### **Feeder Statement**

An annual report that provides an assessment of MCs within your organization and that identifies any material weaknesses in these MCs.

#### **Functional Area Manager**

Manager/supervisor who evaluates and identifies MC weaknesses within an organization.

#### **Key management controls**

Critical MCs which must be implemented and sustained in daily operations to ensure organizational effectiveness and compliance with legal requirements. Key MCs are identified by HQDA functional proponents in their governing ARs and establish the baseline requirement for management control evaluations conducted by AUMs.

**Management controls (MCs)**

The rules, methods, and procedures used to meet mission goals and objectives and, in doing so, support performance-based management. Included are: designation of specific responsibilities and accountability, required certifications and reconciliations, checks and balances (e.g., separation of duties), recurring reports and management reviews, supervisory monitoring, security devices (e.g., locks and fences), and measures used by managers to provide reasonable assurance that their subordinates are performing as intended.

**Management Control Administrator (MCA)**

The individual designated by the senior responsible official to administer the MC process for a reporting organization. MCAs designated at lower levels would have similar duties. The administrator is the lynch-pin that holds the process together and the channel for the flow of MC guidance and information to commanders and managers throughout the command.

**Management control evaluation**

A periodic, detailed assessment of key management controls to determine whether they are operating as intended. This assessment must be based on the actual testing of key management controls and must be supported by documentation (i.e., who conducted the evaluation and date, the methods used to test the controls, any deficiencies detected and the corrective action taken).

**Management control evaluation**

A periodic, detailed assessment of key MCs to determine whether they are operating as intended. This assessment must be based on the actual testing of key MCs and must be supported by documentation (i.e., who conducted the evaluation and date, the method used to test the controls, any deficiencies detected and the corrective action taken).

**Management control evaluation checklist**

One method for conducting a MC evaluation. The HQDA functional proponent may develop a standard checklist that addresses the key MC and publish it in the governing AR. The checklist provides managers a tool to evaluate the effectiveness of these key MCs.

**Management Control Evaluation Certification Statement**

A statement certifying that a required MC evaluation has been conducted. This statement will be documented on DA Form 11-2-R.

**Management Control Process Plan (MCP)**

The written plan that describes how required management control evaluations will be conducted. Included are the key MCs identified by HQDA functional proponents, what areas are to be evaluated, and when to conduct the evaluation.

**Management Control Weakness**

The absence or ineffectiveness of MCs (e.g., MCs are not in place, or are in place but are not being used, or are in place and being used, but are not effective).

**Material Weakness**

A MC weakness that warrants reporting to the next level of command, either for their action or for their awareness.

**Reasonable assurance**

An acceptable degree of confidence in the general adequacy of MC to deter or detect material failures in complying with the Federal Managers' Financial Integrity Act's objectives. The determination of reasonable assurance is a management judgment based on the effectiveness of MCs and the extent of MC deficiencies and material weaknesses.

**Reporting organization**

The organizations that submit annual statements directly to the Secretary of the Army.

**Risk**

The probable or potential adverse effects from inadequate MCs that may result in the loss of Government resources through fraud, error or mismanagement.

**Senior Management Council (SMC)**

A committee or board of senior functional officials convened to advise the head of an organization on management control matters, to include the identification of material weaknesses that merit reporting to HQDA.

**Senior responsible official**

The senior official, designated by the head of the reporting organization, with overall responsibility for ensuring the implementation of the MC process within the organization.

**Test question**

A question in a MC evaluation checklist designed to help an AUM determine whether a key MC is in place and operating as intended.

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